S. HRG. 98-230

NOMINATIONS—FEDERAL MARITIME COMMISSION AND DEPARTMENT OF COMMERCE

HEARINGS

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

NOMINATION OF

ROBERT SETRAKIAN, TO BE A COMMISSIONER, FEDERAL MARITIME COMMISSION

MAY 12, 1983

DAVID J. MARKEY, TO BE ASSISTANT SECRETARY OF COMMERCE FOR COMMUNICATIONS AND INFORMATION, DEPARTMENT OF COMMERCE

JULY 25, 1983

Serial No. 98-26

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

23-307 O WASHINGTON : 1983

S261-44

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

BOB PACKWOOD, Oregon, *Chairman*

BARRY GOLDWATER, Arizona	ERNEST F. HOLLINGS, South Carolina
JOHN C. DANFORTH, Missouri	RUSSELL B. LONG, Louisiana
NANCY LANDON KASSEBAUM, Kansas	DANIEL K. INOUYE, Hawaii
LARRY PRESSLER, South Dakota	WENDELL H. FORD, Kentucky
SLADE GORTON, Washington	DONALD W. RIEGLE, JR., Michigan
TED STEVENS, Alaska	J. JAMES EXON, Nebraska
BOB KASTEN, Wisconsin	HOWELL HEFLIN, Alabama
PAUL S. TRIBLE, JR., Virginia	FRANK R. LAUTENBERG, New Jersey

GERALD J. KOVACH, *Chief Counsel*
RALPH B. EVERETT, *Minority Chief Counsel*

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

FEDERAL MARITIME COMMISSION

MAY 12, 1983

	Page
Opening statement by Senator Stevens	1
Opening statement by Senator Inouye	1
Setrakian, Robert	2
Biographical sketch	2

DEPARTMENT OF COMMERCE

JULY 25, 1983

Opening statement by the Chairman	7
Markey, David J	9
Biographical sketch	8
Answers to questions of the minority	15
Mathias, Hon. Charles McC. Jr., U.S. Senator from Maryland, statement	8
Murkowski, Hon. Frank H., U.S. Senator from Alaska, statement	8

NOMINATION—FEDERAL MARITIME COMMISSION

THURSDAY, MAY 12, 1983

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 9:18 a.m., in room SR-253, Russell Senate Office Building, Hon. Ted Stevens presiding.

Staff members assigned to these hearings: Marguerite Ayers, professional staff member; John D. Hardy, and Cheryl Wallace, minority staff counsels.

OPENING STATEMENT BY SENATOR STEVENS

Senator STEVENS. Good morning.

We are here today for the hearing on the nomination of Robert Setrakian. We are delighted to have you here and to have the opportunity to hold this hearing on your nomination to be a Commissioner of the Federal Maritime Commission.

It is my understanding that you have provided the necessary information which was requested by the committee.

It is not an accident that the two of us here are from offshore States, the Senator Inouye from Hawaii and myself from Alaska. We have and will continue to have a great deal of interest in the Commission that you will join.

Do you have an opening statement, Senator?

Senator INOUYE. Yes, sir.

Senator STEVENS. Please.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. Mr. Chairman, the nomination of Mr. Setrakian is a most welcome one at this time, because if he is confirmed the Federal Maritime Commission will once again have its full complement of five members, and that in turn should make it easier for the Commission to carry out its responsibilities under the 1916 act, the Intercoastal Shipping Act, and other provisions of our maritime laws.

Representing Hawaii, I am especially pleased to see that Mr. Setrakian was at one time involved in our offshore domestic trades, so I'm sure he knows firsthand how dependent the offshore States are on regular ocean transportation service at fair and reasonable rates. His expertise in this important area should be particularly helpful to the Commission, and I welcome Mr. Setrakian to the Federal bureaucracy.

Mr. SETRAKIAN. Thank you very much, Senator.

Senator STEVENS. I have an interesting job to do. A close personal friend of mine and Senator Inouye sent us a note and told us that he became acquainted with you back in the fifties when you were both connected with the very efficient management of the Pacific Far East Lines, and we were asked to remember that as a rather struggling competitor of Alaskan Steam Ship, of which we unfortunately witnessed the demise.

We are told that you became involved with the passenger ship Lelani of the Hawaiian Steam Ship Lines. And I have been asked to give you—or return to you, really, I guess, one of the original house flags of the Coastwise Line. I am told it is a prized antique, and I am supposed to give it back to you.

Now, we have your biographical sketch and if you have a statement we will be happy to have it.

[The biographical sketch follows:]

BIOGRAPHICAL SKETCH OF ROBERT SETRAKIAN

Name: Robert Setrakian.

Address: Residence—1905 Baker Street, San Francisco, Calif. 94115. Business—30 Hotaling Place, #302, San Francisco CA 94111.

Date and place of birth: January 21, 1924; Fresno, Calif.

Marital status: Divorced.

Names and ages of children: Scott Howard Setrakian, 28; Robert Ainsworth Setrakian, 26; Mary Arline Setrakian, 24; Mark Sox Setrakian, 17.

Education: Stanford University, 1945–49; bachelor of arts degree granted 1949.

Employment record:

President, Midstate Horticultural Co., 30 Hotaling Place, S.F. 1949–January 1983.

Director, FN Financial Corp., 700 Market Street, S.F., 1976–present.

President-director, California Growers Winery, Inc., 30 Hotaling Place, S.F., March/1966–September/1982.

President-director, Coastwise Line, 141 Battery Street, S. F. 1957–63.

Director, National Bank of Agriculture (merged into American National Bank), Delano, Calif., 1964–68.

Director, Pacific Airlines, San Francisco, 1964–67.

Director, Airwest, San Francisco, 1967–69.

Political offiliations and activities: Registered Democrat.

STATEMENT OF ROBERT SETRAKIAN

Mr. SETRAKIAN. I cannot tell you how emotionally pleased I am, Senator, to see one of the great house flags of the west coast once again after more than 20 years.

Senator STEVENS. Do you have a statement for us?

Mr. SETRAKIAN. I do, Senator.

Thank you, Senator Stevens and Senator Inouye. I am very pleased to be here this morning and would like to offer just a brief statement concerning my background relevant to this appointment.

I am honored by the expression of confidence the President has extended to me by transmitting my name to the Senate to become a Commissioner of the Federal Maritime Commission. As nominee, and with the consent of the Senate, I would be fulfilling a long-standing ambition by utilizing my time, energy, and past experience in public service.

My background in private industry includes management of an America-flag water carrier. However, over 20 years have passed since having had a direct involvement on the carrier side of the

maritime community. My maritime experience includes areas related to both shippers and carriers.

I have served as president and director of Coastwise Line, the last coastal carrier that served the domestic trade between Alaska and the west coast. As a grower-shipper, I have been involved in certain aspects of California's agricultural economy, one which requires dependable maritime service.

During my business career of the past 33 years, I have also had the opportunity of being directly associated with commercial aviation and banking. I believe that my experience could be useful in determining the value of various policy initiatives of the Commission.

I further believe that a sound maritime policy is one that should continue to strive toward a reasonable and fair balance between the interests of shippers, carriers, and all other sectors that are affected by the direction of the Federal Maritime Commission.

Having had experience in four regulated industries, I am aware of the burdens and expense that can result from excessive regulation. At the same time, however, protection of the public interest is of paramount importance. Our shipping laws of the past century have established standards of lawful behavior for members of the maritime community. As a Commissioner of the Federal Maritime Commission, I will strive toward the maintenance of those standards.

While I believe the agency should have the flexibility to reduce unnecessary regulatory burdens on commercial operators, at the same time the agency has the obligation to insure effective and timely administration of the shipping statutes.

Today the maritime industry is significantly more diverse and complex than at any time in its long history. I am greatly impressed with the technological improvements that have been adopted by the industry. It is an industry in transition. I refer not only to the commercial operations of the industry, but also to the FMC's regulatory role governing standards of lawful conduct.

I understand there is now before Congress legislation that would update and reform the Shipping Act of 1916. While I am not yet fully conversant in the particulars of the legislation, it does strike me as a proposal that fairly balances the interests of carriers and shippers and encourages greater harmony with the laws of our trading partners.

The maritime industry's current lackluster economy is, in part, the result of a depressed period in world trade. Economic indicators of the past several months, however, at least in the United States and West Germany, suggest that the world recession could finally be on the wane. With the recovery, water transportation shall continue to play a vital role in commerce and trade. The judgments and choices we make could influence the shape of maritime commerce for many years to come.

I am particularly looking forward to joining the collegial body of the Commission. I realize that the FMC has several distinct functions. Its work involves judicial, legislative, and enforcement functions. I believe the structure of the Commission—an independent body of five Commissioners—fosters the kind of open and frank debate so vital to informed and studied decisionmaking.

BEST COPY AVAILABLE

I believe that the experience I bring to the Commission will be a useful addition to that process. I have recently read that "making up your mind is like making a bed; it helps to have someone on the other side." The makeup of the Federal Maritime Commission supports that theory and serves that purpose.

Should the Senate concur with the President's confidence in me, I shall try to insure that the actions of the Commission will continue to lead toward a sound future for maritime commerce in association with Chairman "Punch" Green, the fellow Commissioners and staff, associated agencies, Congress, and the maritime and shipping industry at large.

This concludes my prepared remarks, Senator Stevens. I will be happy to answer any questions that you may have.

Senator STEVENS. I only have one or two. Do you think we should proceed with deregulation as far as the maritime industry is concerned?

Mr. SETRAKIAN. Senator, I am not fully versed in all of the aspects that relate to deregulation. I can say, however, that if deregulation means the removal of all Government oversight in the liner trades, I guess I would question its propriety.

Unlike domestic transportation, ocean shipping operates in an international environment, where carriers of many different countries compete. The antitrust philosophy of the United States is not often shared by some of the world trading partners of the United States. It appears reasonable that the establishment of standards of conduct for operators in the U.S. ocean liner trade, be they United States or foreign flag carriers, seems to be a fair and equitable approach.

On the other hand, if deregulation means the removal of regulations that are unnecessary or excessive, then I believe that the FMC should continue to examine regulations to reduce the burdensome requirements that do not net any benefits in terms of Government policy.

I have been advised that the Commission has made a proposal to deregulate certain facets of the U.S. domestic offshore trades. I am not familiar with the specifics of this. The offshore domestic trade is of great interest to me and has been for many years, and I would look forward to reviewing some of the Commission's proposals in that regard.

Senator STEVENS. I do not have any other questions. I do have a comment. I know what interest and experience you did have in the carrier that provided coastwise service to Alaska. That was some 20 years ago, was it not?

Mr. SETRAKIAN. That is correct.

Senator STEVENS. Well, we welcome the background of that experience, but I hope you do not rely upon it to judge what the needs of today are. There have been massive changes in our State in 20 years, and we look forward to seeing you up there early so you can renew your acquaintance with the State and broaden the base of that understanding that you already have.

We have some massive problems that will be affecting your Commission in the near future, I think, as far as Alaska is concerned. But I do sincerely hope that you will take it upon yourself to build

on that background of experience that you have in Alaska and come visit the State as soon as you can.

Mr. SETRAKIAN. I look forward to that, Senator. During that period of time, it was one of the fine experiences that I was able to involve myself in, was developing a trade to Alaska, working in conjunction with the Alaska Railroad.

We were one of the first to start a container service from Alaska to the west coast. Regrettably, the balance of our service, the in effect meat and potatoes of our operation, was the carriage of newsprint southbound, and when the railroads were able to develop a rate that was noncompensatory from our standpoint, we were not able to develop the general cargo trade to Alaska as we wished.

Senator STEVENS. Thank you very much.

Senator Inouye.

Senator INOUYE. Mr. Chairman, I am satisfied that the nominee meets all the necessary qualifications and requirements, and therefore I move that this nomination be reported favorably to the Senate, subject to a poll of the committee.

Senator STEVENS. That will be the action of the committee. We will poll out this nomination. And I am happy to join Senator Inouye in recommending that your nomination be reported favorably to the Senate.

We appreciate your being here with us.

Mr. SETRAKIAN. Thank you, Senator Stevens.

Senator STEVENS. If Mr. Reagan would come forward here, we would let him give you the flag.

[Whereupon, at 9:32 a.m., the committee was adjourned.]

NOMINATION—DEPARTMENT OF COMMERCE

MONDAY, JULY 25, 1983

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 253, Russell Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The committee will come to order.

I would like to welcome you today to the hearing on the nomination of David J. Markey to be Assistant Secretary of Commerce for Communications and Information. Dave Markey certainly is no stranger to the Senate. He has a great deal of experience on Capitol Hill, both inside and outside of the Congress. He last worked up here as chief of staff for Senator Frank Murkowski, who is unable to be with us today as he is in Alaska, but he and Senator Mathias have submitted statements in your behalf.

Bernie Wunder, the last administrator of the National Telecommunication and Information Administration, was instrumental in the passage of S. 898, our first major revision of the Communication Act since 1934. The NTIA is fortunate to have a person of Dave Markey's calibre nominated to replace Bernie Wunder.

The NTIA must continue to be the focal point for the development of domestic and international telecommunications policy within the executive branch. Furthermore, the Congress will continue to rely upon NTIA for assistance and advice on domestic and international issues. The NTIA report on the long-range goals of the United States in international telecommunications and information has been an immense contribution to the dialog regarding the appropriate actions our country must take in the future.

Another NTIA report entitled "Print and the Electronic Media: The Case for First Amendment Parity," will provide a factual basis for our efforts to eliminate Government regulations of the content of the electronic media.

On the domestic front, telephone legislation is again before the Congress. We invite the executive branch to join us in our efforts to preserve universal telephone service at reasonable rates. Broadcasting deregulation and efficient management of the spectrum are also prominent issues.

On the international front there are a variety of issues on which the executive branch will be the central policymaking focal point. One particular concern is how we can improve the effectiveness of

U.S. participation in international telecommunications conferences and how we can protect our national interest in the international telecommunications organizations.

Furthermore, we must determine what the appropriate policy will be regarding our treaty obligations and the growing private efforts to provide new international telecommunications services. These are some of the challenges our Government faces, and we are confident that NTIA can help meet those challenges with Dave Markey at the helm. And Dave, I might wish you happy birthday today on the confirmation hearing.

[The material referred to follows:]

STATEMENT OF HON. CHARLES MCC. MATHIAS, JR., U.S. SENATOR FROM MARYLAND

I am pleased to support the nomination of David J. Markey to be Assistant Secretary of Commerce for Communications and Information. I have known David Markey all of his life, and his father and grandfather before him. We share the pleasure of being natives of Frederick County, Maryland and he was educated there and at Western Maryland College.

Following his graduation from the University of Maryland Law School and his work with the Maryland legislature, David Markey served as a staff member in the House of Representatives, where he became familiar with congressional procedure and federal issues. He later served as Administrative Assistant for Senator J. Glenn Beall, Jr. of Maryland and more recently as Chief of Staff and Legislative Director for Senator Frank Murkowski.

In addition, Mr. Markey has held important positions in the private sector, such as Vice President, Congressional Relations at the National Association of Broadcasters. He was also Legal Assistant to the Chairman of the Federal Communications Commission.

Mr. Markey brings valuable experience to this position, and will make a significant contribution to the Department of Commerce. I urge the Committee to approve this nomination.

STATEMENT OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM ALASKA

Good morning. Mr. Chairman, I would like to thank you for the opportunity to introduce Dave Markey, who has been nominated by the President to be both Assistant Secretary of Commerce for Communications and Information and the Administrator of the National Telecommunications and Information Administration. I congratulate Dave and his wife Pat on this well-deserved honor.

Dave is uniquely qualified for this position, which calls for his advising the Secretary of Commerce on telecommunications policies pertaining to economic and technological developments, and to the regulation of the telecommunications industry. He is a lawyer with longstanding experience in telecommunications. As Vice President for Congressional Relations for the National Association of Broadcasters for seven years, he acquired a special insight into the telecommunications world.

Prior to his joining the NAB, Dave served as Administrative Assistant to the distinguished former Senator from Maryland, Senator Beall, and most recently as Chief of Staff for me. He was first-rate. His experience and political savvy were indispensable to me as a new Senator.

Mr. Chairman, I heartily endorse the President's recommendation of Dave Markey to be Assistant Secretary of Commerce. His experience in the field of telecommunications, together with his thorough knowledge of the workings of Capitol Hill, guarantee that he will do an outstanding job.

Thank you, Mr. Chairman.

BIOGRAPHICAL SKETCH OF DAVID JOHN MARKEY III.

Address: 4743 Massachusetts Avenue, N.W., Washington, D.C. 20016.
Date and place of birth: July 25, 1940, Frederick, Md.
Marital status: Married; Patricia Elizabeth Markey (maiden name).

Education: Western Mayland College, Westminster, Md., September 1959 to May 1963; B.S. 1963. University of Maryland School of Law, Baltimore, Md., September 1963 to May 1967; L.L.B. 1967.

Employment record:

September 1964 to February 1965—Department of Welfare, Baltimore, Md.; case worker.

February 1965 to August 1965—Judge Edward Northrop, U.S. District Court, U.S. Court Building, Baltimore, Md.; law clerk.

August 1965 to January 1967—Judge Stewart Day, Harford Court House, Harford County, Md.; law clerk.

January 1967 to December 1968—Governor Spiro Agnew, Governor's Chief of Staff, Office of the Governor, State House, Annapolis, Md., legislative officer.

January 1969 to August 1974—Senator J. Glenn Beall, Jr., U.S. Senate, Russell Senate Office Bldg., Washington, D.C. 20510; administrative assistant.

September 1974 to February 1981—National Association of Broadcasters, 1771 N Street, N.W., Washington, D.C.; vice president, congressional affairs.

February 1981 to January 1983—Senator Frank H. Murkowski, U.S. Senate, Washington, D.C. 20510; chief of staff.

January 1983 to March 1983—Chairman Mark S. Fowler, Federal Communications Commission, Washington, D.C. 20554; legal assistant to the Chairman.

March 1983 to present—U.S. Department of Commerce; NTIA, 14th and Constitution Ave. N.W., Washington, D.C. 20230; special assistant to the Assistant Secretary.

Memberships: Maryland Bar Association.

STATEMENT OF DAVID J. MARKEY

Mr. MARKEY. Thank you very much. I don't know how it worked out this way but I guess it is appropriate.

Chairman, I don't have a prepared statement but I submitted my biography for the record. I just want to thank you and the committee for moving so swiftly to set up this hearing, after what seemed like a very long process leading up to the nomination.

I am of course very honored to be nominated by the President. This is a very active time, as you have pointed out, in telecommunications, and I am looking forward to working with this committee on the issues that confront us. I do have a long history with this committee. I worked with Senator Beall back in the early 1970's when he was a member of the Senate Commerce Committee and a member of the Subcommittee on Communications. So I am looking forward to working with many old friends.

The CHAIRMAN. Dave, thank you.

Are you familiar with the NTIA report "Print and the Electronic Media: The Case for First Amendment Parity"?

Mr. MARKEY. Yes, sir, I am.

The CHAIRMAN. What do you think, generally, about extending the first amendment or the equivalent, at least, of the first amendment press liberties to the electronic media?

Mr. MARKEY. Well, we are very much in support of that, Senator Packwood. We think that there is very little basis, no basis really, to continue to treat the broadcasting industry and the electronic media differently from the print media. When you look at the facts—many of them were printed in our report—there are many more voices now in the electronic media than there are in the print media on a daily basis.

So it makes very little sense to treat them differently. The first amendment says there shall be no law abridging the freedom of speech, and we think that that flows to the electronic media as well as the print media.

The CHAIRMAN. I think our founders would have extended it thusly had they been able to grasp at all the concept of electronic expression, but I think that as wise as they were, that was simply beyond their ken.

It is interesting that there were only eight daily newspapers in this country at the time of the adoption of the first amendment. The argument is often used that we must continue regulation of radio and television because of scarcity. The printed mass was scarce at the time this country was founded, and yet still it received the constitutional protection that it did.

I am delighted to hear your answer on that and I hope the administration will be fully supportive. I expect that later in this year. I will start to move on the various content doctrines, such as the fairness doctrine and equal time. As you are aware. For now I have given up any hope of a constitutional amendment, but at least I want to repeal some of the statutory authority upon which the FCC content doctrines rest.

And in doing that, I know we have the support of the FCC. I hope we will have, in addition, broader administration support.

Dave, can you tell us what the NTIA's minority project is doing in terms of expanding the opportunities for minority participation in communications?

Mr. MARKEY. I think we have a very good program there and I certainly don't deserve the credit for it. We have some people there that have been working on this for several months now. This fall, for instance, we are going to have several seminars around the country to help point out to people the opportunities that are available in the electronic media.

We will also have a new program that will help people to get into the broadcasting business. Out at the Institute for Telecommunication Sciences in Boulder they do a lot of propagation studies, and we are going to use their data base and their computers to provide information to minorities who are interested in getting into broadcasting. We will be able to give them documents which will describe for them their coverage areas, the number of people who will be in that area, that what the demographics will be. That will be of tremendous value I think to someone who is looking to get into broadcasting.

So I think that that, along with an interagency agreement we hope to sign with the Federal Communications Commission and the Minority Business Development Group, with those initiatives I think we are going to be moving ahead in trying to help minorities find a place in the industry.

The CHAIRMAN. We are not quite there with television yet, but we are close to the day when we are going to have so many radio frequencies that they are simply going to lie fallow in certain areas. There are going to be frequencies available for everyone who wants to apply for a license. Somebody can obtain a license—maybe a minority, mabye a church, maybe a labor union—and they may go broke or go bankrupt, and the license will go back into the frequency pool and lie there until somebody else wants to try to broadcast over that particular frequency.

Mr. MARKEY. That is the American way. But we should, if we can, provide those kinds of opportunities. I think at NTIA we are

going to continue to encourage the Commission to open up as many possibilities for new entry as possible.

The CHAIRMAN. Last week Congressman Dingell and I introduced a bill to preserve universal telephone service at reasonable rates. I don't have to tell you, because of your experience with Frank Murkowski of Alaska, what the telephone rates might be in that State if consumers literally had to pay all of the actual costs of providing local telephone service. I think half the State would be without telephone service at that rate.

What do you think about the philosophical concept of using long-distance rates to subsidize residential and rural rates?

Mr. MARKEY. Well, I don't pretend to be an expert in matters of the telephone industry. Since I have moved over to NTIA in an advisory capacity over the last couple of months, I have been talking to an awful lot of people about the telephone problem because I think we all saw that this was a very difficult period of transition. As somebody pointed out to me the other day, it is almost akin to taking the Federal Government and saying we are going to reorganize it and we are going to have it done by January 1. It is a massive undertaking.

Philosophically, I think this administration will certainly continue to support the principle of universal service. Mr. Chairman, from what I can see of this issue, continuing to subsidize local service, as it has been subsidized in the past, may present some difficulties.

Again, I don't pretend to be an expert, but from what people indicate to me, it is going to be difficult with the advent of the AT&T breakup, with the emphasis on competition rather than regulation, and with the need for our companies to compete overseas and to free them up to do so. We have to make sure that local rates continue to be within the range that everyone can afford some kind of service. It is our hope, and we intend to work with you to try to find some mechanism to do that, hopefully without continuing the subsidies as much as they have been in the past.

But again, we are going to be looking at your legislation. We are going to be looking at Congressman Dingell's legislation and the many other bills that are in because this just seems to be a very, very difficult area. The FCC, for instance, has been working on their access charge decision I think for 3 or 4 years. You can argue with portions of it, but what we have facing us is the situation that on October 3 we have those tariffs that are due to be filed. They are due to go into effect on January 1. We have the breakup coming January 1.

And I guess the concern that I have, or it is a concern that grows out of talking to a lot of people in this industry, is that at this stage we have to be very careful what we do because it is such a massive undertaking and if we aren't careful, we could disrupt things considerably.

The CHAIRMAN. But actually we don't have to do anything. If we just stick with the present FCC policy, you wouldn't have to make any change, and the breakup of AT&T is irrelevant to that because the breakup doesn't touch long distance rates.

Mr. MARKEY. Well, it is my understanding, though, that the breakup mandates a new form of system to distribute the costs

once the breakup occurs. In other words, it mandates at this stage, today, an access charge. Once the breakup occurs, you no longer have the separations and settlements process that we now have.

So if in fact you want to continue that in some way, we would have to do that very quickly. And as I pointed out, I think that time is of the essence.

Any time you make changes like this, as you well know, Senator, you are going to have a very difficult transition, and I think we are going to have a difficult transition period. I think that possibly a lot of these things can be worked out and we will be happy to work with you to try to come up with those solutions.

The CHAIRMAN. Actually, I think the only difficulty you would have, and I might say Judge Green has been somewhat critical of the FCC because he did not order this change in long distance rates and he has no jurisdiction to do so, and that is one of his complaints, but I think the only policy the FCC would have had to change is to figure out a way to bring in the non-AT&T long distance users—the MCI's, the SPRINT's, the Southern Pacifics—who are basically outside the net and were not subsidizing local rates to the same extent AT&T was, and it made it unfair for AT&T. They couldn't compete equally under those circumstances. But I won't pursue that any further at this time with you.

Let me ask you about the budget. NTIA has gone down from $21 to $12 million. How do you think you can carry out what are going to be even expanded responsibilities for NTIA at the time when your budget is almost half what it was and no immediate prospect of it going up very far?

Mr. MARKEY. That is a very good question. When I first went over to NTIA, I found people walking around acting like the agency wasn't going to be there tomorrow. Well, like Mark Twain, I think the reports of our death are greatly exaggerated. I think we can operate at the budget that we have.

My predecessor made some cuts in our budget, but I think that a lot of those cuts were justified. I think that possibly or probably in certain aspects of our agency, certain areas, we had too many people, people that we probably did not need.

I do have some holes to fill because we have had some people leave in the past few months and we have some other people who are going to be leaving. We have to make sure that we can fulfill the responsibilities of the agency. I have been assured that we will have enough resources to do that, and I think that we will.

So while that is of concern—any time I guess you are in one of these positions you would like to have more funds—I think we can do what we need to do with the funds that we have.

The CHAIRMAN. One of the criticisms of NTIA on occasion in the past has been its inadequate preparation for international conferences. And preparing for those is no cheap operation. Give me your thoughts about what you think you can do to improve NTIA's operation in that area within these budget limitations.

Mr. MARKEY. Let me just say that I believe that in the past at least from what people have told me, NTIA has performed fairly adequately in those circumstances, but that certainly overall, the Federal Government, in preparing for international conferences, there have been some criticisms.

I think what we have to do, and I have talked with our new deputy at the Department, Bud Brown, who you may know and who used to be over in the House Commerce Committee about this, and we feel very strongly that that is a very, very important area for this Nation.

Obviously the telecommunications industry, given the way the world is working, is going to be even more necessary for us to compete internationally. The only way our companies are going to be able to exist is to compete adequately internationally.

So we are going to have to beef up our engineering support particularly for these conferences, and make sure that our people, particularly the industry people in this country, know well in advance who is going to be representing them at these conferences and have an adequate way to provide input to those who will be at these meetings.

I just had the experience of going to the Broadcast Satellite Conference, and it was very worthwhile. In fact, I would encourge you or any other member of this committee, if you have the opportunity, and maybe you have done it in the past, to go to one of these ITU meetings and see how they work. In some ways it is very interesting because it reminds me of the Congress in that they tend to wait until the last minute to do a lot of the things that they do do.

I do think we have to beef up our resources and this is one area where we are going to be looking at very strongly.

The CHAIRMAN. Dave, I can't emphasize too strongly the importance of that area as we go down the road year by year and decade by decade because commitments we are going to make at those conferences we are going to have to live with 10, 20, or 30 years, and we cannot afford inadequate preparation or to make a mistake. Sometimes you won't get everything you want at the conference, but you surely won't get it if you are not prepared to argue for it, both technically and politically.

Mr. MARKEY. That is exactly right and let me point out to you that a lot of the work that is done for the ITU is done outside of those conferences in the consulting committees, and that is where I think our people can make a very great contribution. For instance, with respect to the CCITT, we are working hard to make sure that the standards that are set internationally are standards that our services providers and our equipment providers can meet so that we can compete overseas.

And of course the situation overseas is much more regulated and what we run into are PTT's who tend to want to keep us under wraps and don't want us competing in their country. So we have our work cut out for us there and we are going to beef up that operation.

The CHAIRMAN. Good.

Where do you see NTIA fitting into the proposed Department of Trade?

Mr. MARKEY. Well we, as you know, have been proposed to be part of that new Department of Trade, and I think there are some good reasons for that, one that we have just discussed—that NTIA has a number of very specific duties in the international area. We have to continue to perform those duties and it would tie in with

trade. By trying to make sure that the standards set internationally are the kinds of standards that our people can freely compete well under, that is a very important part of it.

A second important part is that trade particularly depends on an infrastructure, and probably the most important part of that infrastructure is communications these days. So we will get involved in that area.

I might point out that we were in China recently trying to establish some arrangements over there to allow us to come over and provide some technical assistance. We saw this as one way of opening up the Chinese nation to trade with some of our telecommunications companies. What we would do is provide them with assistance from our companies and then we would have our foot in the door over there. I think that is starting to work. Already IT&T has consummated a contract over there.

So I think that when you look down the road toward the end of this decade, you see that probably the single most important or the largest component of trade will be telecommunications and information services. It will probably be bigger than agriculture. So I think we fit very well in the Department of Trade.

The CHAIRMAN. Last question. What do you think about the cable bill, S. 66, that we passed here and is now lingering in the House?

Mr. MARKEY. Well, we supported that piece of legislation. I am not going to say that we liked every single sentence in it. I suspect that when we get over to the House side we may have a chance—I was certainly not confirmed by then and had no chance to testify, but we think that cable legislation is necessary; we think it is needed for this industry to move ahead. It is a very large industry. It is a growing industry. I saw some figures last week of something like a 40-percent increase in employment in the cable industry just last year.

So when you have an industry like that that can grow, we would like to see it move ahead. What your bill did was take care of some of the problems that we have had at the local level which have tended to hinder that development. You don't have to look further than the District of Columbia to see the kinds of problems that we are having. So I think it is a needed and necessary initiative.

The CHAIRMAN. I have never yet actually lived in an area that has cable. I hope before my lifetime expires that I will find some area that will finally be wired.

Mr. MARKEY. Same here. I would like to try it.

The CHAIRMAN. I have no more questions. I do think some questions will be coming from other members and when you return them they will be included in the record.

Dave, thank you. I am sure we will get you through here very quickly and congratulations.

Mr. MARKEY. Thank you very much, Senator. I appreciate it.

[Whereupon, at 9:50 a.m. the committee was adjourned.]

[The following information was subsequently received for the record:]

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question 1. What programs and plans are you planning to initiate to promote effective and innovative uses of telecommunications technology?

Answer. NTIA's Institute for Telecommunications Sciences is actively and heavily involved in the international efforts to develop standards for Integrated Services Digital Networks (ISDN). I expect to place considerable emphasis on this important standards-setting activity. In addition, I intend to encourage on-going efforts to maximize the efficiency of the Government's own use of the radio frequency spectrum through the use of advanced electronic equipment and computerized management techniques.

Question 2. You have had much experience in the telecommunications industry. As head of NTIA, do you feel that you will be able to make objective policy recommendations in light of your past involvement with the NAB and the FCC?

Answer. My broadcast and FCC experience should help me better understand the problems and issues both industry and Government confront as a result of increasing competition and rapid technological change. This experience, however, will have no impact on my objectivity. I particularly benefited from my brief term at the Commission where, of course, I worked on behalf of the public as I expect to do at NTIA.

Question 3. As head of NTIA, what issues will be of primary concern to you?

Answer. One priority will be ensuring that American telecommunications firms are afforded a fuller and fairer opportunity to compete both at home and abroad. Another will be ensuring further deregulation and reliance on competition in the telecommunications field. Also at the top of the list is the need to make certain that we continue to reach for ways to make more efficient use of the spectrum assigned to the Federal sector. Finally, the need for NTIA, and U.S. Government, to do the best possible job in preparing for internationa telecommunications conferences will get priority attention.

Question 4. What plans do you have to keep out domestic communications competitive with international trade?

Answer. We believe that the single most important step Congress could take to futher the ability of American industry to compete would be to act affirmatively on pending legislation to create a new Department of International Trade and Industry. NTIA will be an important component of the new department.

Our international telecommunications standards-setting activities also are important in this regard. Our emphasis has been on promoting the adoption of sound performance standards rather than rigid technical standards which could limit the international market opportunities available to U.S. firms.

Question 5. Federal funding of public broadcasting has recently been a topic of concern to many. How do you view this method of financing, and what role will public broadcasting play in your administration?

Answer. Public broadcasting provides an important and valued viewing option to the American public. Although the levels of Federal financing have been necessarily reduced in recent years, there are no plans to terminate such financing. With respect to the Public Telecommunications Facilities Program administered by NTIA, we continue to recommend that this program be terminated.

○